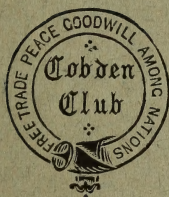


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SHIPPING AND FREE TRADE.

BY
RUSSELL REA, M.P.



28, VICTORIA STREET, LONDON, S.W.

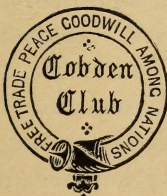
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SHIPPING AND FREE TRADE.

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*A Lecture
Delivered in the Special Cobden Club Course
on February 6, 1905,*

WITH APPENDICES.



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SHIPPING
AND FREE TRADE

RUSSELL, R. M.

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SHIPPING AND FREE TRADE.*

By RUSSELL REA, M.P.

ONE of the most firmly held articles of the British faith is the dogma that the sea is the heritage of the British race; for 150 years we have sung that "Britannia rules," not only that considerable portion of the surface of the earth painted red upon our maps, but that very much more considerable portion painted blue.

This admirable faith has greater justification in fact to-day than ever it had at any period in the past, and we owed it to our glorious naval history and traditions—to Drake, to Blake, and to Nelson. We do not owe it to any similar lengthened period of the triumph of our mercantile marine, for we have enjoyed no such lengthened period of the supremacy of our merchant shipping. We have achieved our present commercial superiority entirely since our fathers adopted the principles and practice of Free Trade in general, and in particular since we renounced the monopolies and privileges, and freed ourselves from the shackles, of the old Navigation Laws in 1849.

* A Lecture delivered in the special Cobden Club course on February 6th, 1905.

Yet it is a fact that, great as is our superiority over any other nation, or any two, or any three foreign nations, in naval strength, the relative superiority of our mercantile fleet to-day is much greater still. It is not with this or that Power that it can be compared. It is no two- or three-Power standard that we maintain. The only comparison which is not ludicrously disproportionate is that between the British Empire and all the rest of the world put together. It is with the abstract foreigner, whom he characteristically calls "our bitterest and severest competitor and rival," that Mr. Chamberlain compared us in his speech in Liverpool. And even in this comparison the mercantile navy of Great Britain alone, excluding the Colonies, shows a considerable preponderance over that of the rest of the world, if not in total tonnage, yet in value and in effective carrying power, as I will attempt to prove later.

In this paper I propose to show :—

1. That this predominance did not exist before we adopted Free Trade and repealed the Navigation Laws.
2. That it exists now.
3. That this superiority is the result of our Free Trade policy, applied both to our import trades and to shipping ; and
4. I will point out some of the dangers to which British shipping is exposed, and the disadvantages

under which it labours, and indicate what I consider the true national policy to adopt towards it.

1. That this predominance did not exist before we adopted Free Trade. "It may be assumed," says Mr. Cunningham, an authority on economic history, "that in the Middle Ages the shipping of the Italian Republics and the Hanse League excelled that of England." The chance of England did not come, in fact, until the discoveries of Columbus and Vasco di Gama opened the Western and Eastern oceans to commerce, which, until that time, had been confined principally to the Mediterranean and other inland seas. At this period we had an enterprising sovereign, Henry VII, himself a merchant ship-owner. His sentiments on the subject of foreign commerce were most admirable. In instructions to commissioners appointed to negotiate treaties of commerce, he said: "The earth being the common mother of all mankind, what can be more pleasant and more human than to communicate a portion of all her productions to all her children?" These sentiments were worthy of Richard Cobden; but Henry's policy was not so enlightened, and he followed the earlier examples of Richard II and Edward IV in enacting and endeavouring to enforce the strictest navigation laws, restricting English merchants to English shipping. Whatever the reason may have been, we find that Spain and Portugal and afterwards Holland took the lead in

the new ocean traffic—so much so that 100 years later, in 1603, Sir Walter Raleigh wrote: “The merchant ships of England are not to be compared with those of the Dutch. The Dutch give free customs inwards and outwards for the better maintenance and encouragement of navigation, and the encouragement of the people in that business.” Consequently the Dutch were the great carriers. He continues: “We send into the East kingdoms yearly 100 ships, while the shipowners of the Low country send thither 3,000 ships,” and he adds in words strangely familiar: “Our Russian trade is going.”

Our position, however, was improving, and in 1666 Sir Henry Petty estimated that the Dutch shipping tonnage amounted to 900,000 tons,

English to	500,000
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French	100,000
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Hamburg, Dantsic, Den-			
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mark and Sweden	...	250,000
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Spain, Portugal, and Italy	250,000
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2,000,000 tons.

At this time English shipping was subject to the celebrated Navigation Act of Oliver Cromwell (1651), an Act that was called the great Charter of English shipping, the principles of which remained in force until the Navigation Acts were finally repealed in 1849. This Act enacted that

“no goods or commodities whatever, the growth, production, or manufacture of Asia, Africa, or America, should be imported either into England or Ireland, or any of the plantations of Great Britain, except in British built ships, owned by British subjects, and of which the master and three-fourths of the crew belonged to that country.” And from Europe nothing was to be imported “except in British ships, owned and navigated by British subjects, or in such ships as were the real property of the people of the country or place in which the goods were produced, or from which they could only be, or most usually were, imported.”

Under the protection and fetters of this law, modified and relaxed in various details and in various parts of the world by special treaties, our commerce was carried on for two hundred years with varying fortunes. The Navigation Laws which expressed the wisdom of our ancestors were fair copies of those of other nations. Our laws prohibited a Spanish ship bringing a cargo to England from the Spanish South American colonies; but had we permitted it the Spanish law would have forbidden it, for Spain enforced a monopoly of the trade with her colonies. In the international race all competitors were pretty equally handicapped.

In the light of the present, the most remarkable thing about this long period appears to me to be that during the whole of it we can discover no indications of our ever attaining our present superb

supremacy. At the end of it, when we finally surrendered Protection both of our trade and our shipping, we were making no progress in comparison with other nations, and in some respects were declining. For example, although after the great war in 1815 the shipping tonnage of the United States was not half that of the United Kingdom, in 1850 the American mercantile marine was very nearly equal to our own in total tonnage, and greatly exceeded it in efficiency; for not only was their tonnage of steamships considerably more than double that of Great Britain, but they beat us in the speed, efficiency, and beauty of their sailing ships. The celebrated "Baltimore Clippers" and "American Liners" almost monopolised the carrying trade between Great Britain and the United States, and no improvement was made in the building of ships in the United Kingdom until after the repeal of the Navigation Laws in 1849. The best historian of this period says: "So long as British shipping was protected they had so much reserved to them they relied on Protection, and did not exert themselves to compete with the United States for the Atlantic trade on equal terms."

The primacy among maritime nations at the period of the abolition of the Navigation Laws can only be doubtfully awarded to this country. The United States, then a weaker Power with a smaller population than our own, had grown to be a dangerous rival, and was rapidly improving her

relative position. It is true our total tonnage of shipping was some four millions of tons to her three and a quarter millions of tons, but in quality she surpassed us greatly. Not only was her steam tonnage more than double that of Great Britain and her Colonies, but, as I have said, her sailing ships were the finest and fastest in the world. We were worthy and well matched rivals in the race. But we had arrived at the parting of the ways. We took the Free Trade path to the right, which has led us to a real sovereignty of the seas. America, a few years later, definitely took the path of Protection to the left, which has led her to a decline almost to the point of the extinction of her foreign shipping trade.

The Repeal of the Corn Laws in 1846 was immediately followed by the movement of 1847 and 1848 for Free Trade in shipping, which resulted in the abolition of the Navigation Laws in 1849 by the Government of Lord John Russell. With the conservatism they have invariably shown, the shipowners clung to their protection. In 1848 the Shipowners' Society of London issued a manifesto in which they said: "If the Navigation Laws are repealed, 'Rule Britannia' would be for ever expunged from our national songs, the glories of Duncan and Nelson would wither like an aspen leaf, and fade like the Tyrian die, and none but Yankees, Swedes, Danes and Norwegian sailors would be found in our ports." The movement for freedom of

shipping was led, not by Cobden, but by the great economist and banker, David Ricardo, who was then a Member of the House of Commons. The Cobden Club reveres the memory of Richard Cobden, but it would be the last body of men to forget to do honour to those who worked at the same time for similar objects on lines parallel with his. In the work of the emancipation of British shipping, the name most to be honoured is that of David Ricardo, and after his name that of Lord John Russell. In 1847 Ricardo carried the appointment of a Select Committee to consider the Navigation Laws, and the evidence brought before this Committee and Mr. Ricardo's report sealed the doom of those Laws. In 1849 they were repealed after severe resistance in the House of Commons, and by a section of the shipowners in the country, by the Government of Lord John Russell.

The debate on the Second Reading of the Bill in the House of Commons was a notable and historic debate. In it Mr. Disraeli declared that: "If Canada had not a Protective duty on corn restored to it as demanded by the Legislative Assembly, Canada would be lost to the British Crown." "Woe to the statesmen and to that policy which plucked this jewel from the Crown of England!" I give this as an example of the prophecies of Protectionist statesmen in those days. Mr. Cobden was not the only prophet. As if to disprove in anticipation Mr. Chamberlain's reckless statement

that Free Trade was adopted by this country only in the belief that her example would speedily be universally followed, Mr. Gladstone, in this very debate, stated that he had no such expectation as to the United States. "America," he said, in this debate of 1849, "is not a lover of Free Trade in the abstract. The Protectionist principle is very strong in America, although it is not so strong with reference to shipping as to manufactures."

Doubtless the great expansion of the trade of the world in the first half of the 19th century was due to other causes than Free Trade or Protection. This expansion had rendered it generally impossible to maintain the mediæval system of the ancient Navigation Laws, with their chartered monopolies and exclusions. The whole system had become riddled with exceptions and exemptions and suspensions, due sometimes to necessity, sometimes to reciprocal treaties. Earlier in the century, in 1813, the trade monopoly of the East India Company was abolished. The emancipation of the Spanish Colonies had thrown open South America. The complications and difficulties of the various Navigation Laws were so extreme that it became one of the most profitable occupations of the shipowner to study these laws for the purpose of evading them.

Great Britain emancipated herself from these fetters at a stroke, and other nations have found it impossible to maintain them. The relics of the ancient system survive in the present day chiefly in

the form of the reservation of their coasting trades by many, though not by all, the civilised nations of the world, certain restrictions on their colonial trades, and in addition to this, in the case of the United States, the restriction of the privileges of the American register, with its exclusive right to the coasting trade, to ships built in America of American materials. The mediæval system in its old barbarous form has universally passed away, and for more than half a century Great Britain has carried on her oversea trade in the atmosphere of the freest competition. In all the previous centuries, we have seen, she possessed no superiority as a shipowning and sea-faring community, and at the time of the Free Trade revolution she might only with some doubt be placed first among mercantile maritime powers.

2. Mr. Chamberlain numbers British shipping among the trades that are "going." In Liverpool, addressing an audience in the greatest ship-owning port of the world, he described it as a "house standing but with rot at the foundations." He told the Liverpool shipowners that "it is not progressing as fast as foreign shipping," and that "you have galloping up, at a greater rate than anything you can command, your bitterest and severest competitors and rivals." And he asked in tragic tones, "How long shall we keep it? How much shall we keep of it?"

In political rhetoric Mr. Chamberlain is a great

artist, and I will not attempt to meet rhetoric with rhetoric. The plain, dry figures from the official tables are more eloquent than all the elegiac poetry of all the "tariff reformers".

The latest returns available for both British and foreign shipping are those of 1902. For that year we are able to compare the tonnage of Great Britain and her Colonies with that of all the principal maritime powers, except Russia, for which country the figure is not yet published, but it may be placed at something slightly under a million tons. The countries we class as "the rest of the world" include Norway, Sweden, Denmark, Germany, Holland, Belgium, France, Spain, Italy, Austria-Hungary, Greece, the United States (foreign trade), China, and Japan. We find that, while the total tonnage of the British Empire in 1902 amounted to 11,566,000 tons, and that for the United Kingdom alone to 10,154,000 tons, the total tonnage of all the countries I have named amounted to 10,891,000 tons; that is to say, the tonnage of the British Empire exceeded that of the rest of the principal maritime nations of the world, excluding Russia, while that of the United Kingdom alone very nearly equalled it.

But Mr. Chamberlain tells us it is not positive statistics we must consider, but comparative statistics. It is not the condition, but the growth of our trade; not where we are, but whither we are going, that matters. He detects "rot" at the

foundations, and says we have behind us "galloping up, at a greater rate than anything we can command, our bitterest and severest competitors and rivals." It required considerable ingenuity to discover a basis upon which to build a theory of the decline of British shipping. It was discovered by Mr. Chamberlain in the figures giving the comparative growth of tonnage of the British Empire and of the rest of the world between the years 1890 and 1901—the increase for the Empire working out at 1,400,000, and that for the "bitter rivals" at 2,200,000 tons. This figure, and another fact to which I will refer later, formed the sole foundation of the theory of decay; but examination shewed there was "rot at the foundation" of the theory. The whole Empire seems to have been selected on this single occasion in order that the real advance of the United Kingdom might be concealed by the debit of Canada's loss of 300,000 tons of her old sailing ships. The real advance of Great Britain alone was 1,629,000 tons. Again, the "bitter rivals'" figure at this period had been swollen by a new item by the creation of a new mercantile fleet by Japan, not out of the profits of her legitimate commerce, but out of her national resources, just as her navy had been created. Exclude Canada on the one hand, and Japan on the other, and we get a fair comparison between this country and her "bitter rivals." We find our own increase to have been over 1,600,000 tons, while that of all the other

countries together, excluding Japan, was 1,200,000. In the year succeeding Mr. Chamberlain's picked period we added 450,000 tons to our register, and all the "bitter rivals" I have mentioned together, including Japan, added not quite 400,000 tons to theirs. This is the last year for which comparative figures are available.

But great as is our preponderance in the tonnage we own, and satisfactory as is our advance in the quantity of the shipping we control, we should make a great omission in our survey were we not to take account of quality as well as of quantity. A ton of shipping is not a thing of uniform value like a ton of lead or pig iron. In cost, in efficiency, in functions, ships vary as much as buildings vary. Many of the ancient sailing ships of Norway would be highly valued at £2 per ton—the new Cunarders will cost something approaching £100 per ton. In efficiency the best authorities calculate three tons of sail as being equal to one ton of steam, the latter at the low speed of ten knots per hour. A mail and passenger steamer of twenty knots differs not only in degree, but in kind and in function, from a ten-knot cargo boat. Again, the efficient and profitable life of a modern steamer is not long, and the comparative average age of the merchant navies of the world is another element to be taken into account.

How do we stand in comparison with other nations in respect of the value, efficiency, and age of our mercantile marine? First, let us compare the

proportion of our steam and sailing ships. We find that out of a total tonnage of the British Empire in 1902 of 11,566,745 tons

Our steam tonnage amounts to 8,691,257

„ sailing „ „ „ 2,875,488

But even these figures are not fair to the United Kingdom, for of this tonnage of 2,875,000 tons of sailing ships, 925,000 belong to the Colonies, almost two-thirds of their tonnage being of sail, while, in the ships of the United Kingdom alone, four-fifths of the tonnage is that of steamers.

Against these imposing figures let us range the steam and sailing fleets of the other principal maritime nations of the world.

In 1902 all the nations I have named together possessed, as I have stated, 10,891,000 tons of shipping. Of this total 6,625,000 tons was that of steamers, and 4,266,000 of sailers—almost in the proportion of three of steam to two of sail, against four of steam to one of sail in the case of this country.

Further, steam tonnage itself varies greatly, both in value and efficiency, and my second point in estimating the quality of our shipping is to compare the character and speed of our steamers with those of foreign nations. For this purpose I divide steam shipping into two classes: those with a lower speed than twelve knots and those with a greater speed. In the higher class I find that, while the United Kingdom possessed more than four and a quarter

millions of tons of high class steamers of more than twelve knots an hour speed, all the countries I have named together possessed little more than two and a quarter millions of tons of the same character. Taking the lower grade of steamers, those of less speed than twelve knots, a high shipping authority, the editor of the *Shipping World*, after long and careful research and compilation, last year made and published an estimate which I believe to be unchallenged—that the average speed of British steamers of less than twelve knots is ten knots, and of foreign steamers in the same category the average speed is eight and a half knots, a prodigious difference in calculating the value and utility of these lower grade cargo boats. The same authority made as careful an estimate as it is possible to make of the comparative efficiency of the British and foreign mercantile steam fleets. Taking a ten-knot steamer as the unit, and adding or deducting from tonnage in proportion to the departure from this standard of speed, to obtain the potential carrying power of British commercial shipping in comparison with that of the rest of the world, he finds that our potential carrying power is represented by the figure 16,445,000 against 13,061,000 for that of all other countries combined; while if steam tonnage alone is taken the figures for this country and all other countries taken together are 15,834,000 and 11,555,000 respectively—for potential efficiency.

My last point, and a most important point, in

estimating the quality of our shipping in comparison with that of other countries is the comparative age of the vessels of which they are composed. To take out from the registers of shipping the ages of all the British and foreign steamers and calculate the average, would be a labour too great to be undertaken, but we are not without the means of coming to a clear judgment as to the general superiority of British shipping in this particular also. We know that it is the custom of the British shipowner to sell his old and inferior boats to the foreigner and build new ones for himself. I find that no less than 300,000 tons of British shipping was transferred to foreign registers in 1903, and of this no less than 34 per cent. was built before 1880, 59 per cent. before 1885, and 71 per cent. before 1890. This in a single year. In that and the nine preceding years 3,633,000 tons have been so transferred, including 700,000 tons of sail, so that the yearly average of vessels transferred is 360,000 tons, mostly old. In the age and up-to-date character of our ships, as well as in speed, have we the advantage.

Our review therefore shews that in the quality as well as in the extent of our mercantile marine, we enjoy a very considerable superiority, the extent of which, however, it is difficult accurately to estimate.

With a position of such splendid isolation as we enjoy, one asks, Where can be the weak spot, how can the most skilful archer discover the "joints in our harness"? Was Mr. Chamberlain deeper in the

realms of visions and dreams than usual when he spoke of our "bitterest rivals galloping up at a greater rate than anything we can command"? The airy fabric of his vision is almost, but not entirely, a figment of his brain: it had a very slender real base. He or the industrious armchair statisticians of the Tariff Reform League examined the columns of official figures until they discovered not only the one I have quoted and, I trust, demolished, relating to the tonnage we own, but another that appeared to tell against this country. They discovered that the tonnage of foreign shipping that entered and cleared from our ports during the years 1890 to 1900 had increased not only at a greater rate, but actually to a greater extent than the British tonnage, and that this phenomenon was observable at foreign ports also. Between 1890 and 1900 the foreign tonnage using our ports had increased from 20 millions of tons to 35 millions, while the British tonnage had only increased from 54 millions to 62 millions. Clearly our trade is departing. Here is the "rot at the foundations."

It is a curious thing that the Tariff Reformers no sooner discover a phenomenon which appears to tell to the disadvantage of their country, whether it concerns shipping, imports and exports of manufactured goods, or proportion of foreign and colonial trade, than this phenomenon at once ceases to operate. They had no sooner called attention to this menacing encroachment of the foreigner than

it ceased. From 1900 to 1903 we find the process entirely reversed, and the tonnage of British shipping entered and cleared from our ports increased by $6\frac{1}{2}$ millions of tons, while that of foreign shipping increased by just over half a million tons. But even before these later figures were available, the use made of the striking figure of the increase of foreign tonnage using our ports from 1890 to 1900 is a proof that Mr. Chamberlain and his Tariff Reform advisers are, what I have called them, "armchair statisticians," and unacquainted with the vital forces and facts which their figures represent. Had they been practically acquainted with the trade they criticise, they would have known that a considerable portion of the foreign increase in our ports is due to two items,—first, the calls of the great German Atlantic steamers at Southampton, Plymouth, and Dover, at which ports they remain half-an-hour to embark or land a few passengers, and in no way touch the export and import trade of the country ; and second, to the existence of a small number of new Channel passenger steamers, owned by the continental railway companies, which enter our ports daily all the year round, and are counted scores of times in the course of the year. Making allowance for these items, however, we do find that the foreign tonnage using our ports increased during a considerable period to a disproportionate extent. What inference would a practical commercial man draw from this phenomenon ? He would see the

extent and growth of our shipping, and that it is no less well employed than foreign shipping. He would suspect that entrances and clearances from ports are not the true test of shipping activities. He would suspect that these foreign ships were being employed in the more local trades, that the inferior ships were, in fact, engaged in the inferior trades, and that the great long-distance ocean trades were chiefly in British hands. Examination would shew that this is the case, and that the figures which disquiet Mr. Chamberlain have little ominous significance. I guard myself here and say little ominous significance, not absolutely none, for there is a slight residuum of reason in his argument and meaning in his figures which point to a weak spot in our policy—not our commercial policy, but in our national legal system, to which I will allude later when I come to consider the true national policy to adopt towards our shipping.

3. I have now passed in rapid review our shipping trade, first in the pre-Free Trade ages, when it was small and gave no indication of attaining its present position and supremacy; and, second, I have described it as it is to-day—the most splendid trade ever built up by human enterprise. We have next to consider to what this unparalleled success is due. It is easy and flattering to our vanity to say it is due to our superior national courage and aptitude for the life of the sea, to our superior inventiveness, energy and enterprise. While I should be the last to deny

the possession of these qualities to my fellow countrymen, I think no one will maintain that we are as superior to our fellow creatures generally in our courage, energy, and enterprise as we are in the tonnage and character of our merchant shipping. We may rightly be proud of Raleigh and Drake, of Cabot and Captain Cooke, but we cannot pretend they are superior as sailors and discoverers to Columbus, Vasco di Gama, or Tasman. In the art and the science of ship-building the French have always been well to the front. In the great war, Nelson's best ships were those he had captured, of French build. In our own time the French have more than once given us a lead in naval construction: the first armoured ship was French; it was the French who introduced the water-tube boilers, and constructed the first submarines. The coasts of Normandy and Brittany have always furnished hardy and courageous sailors and fishermen, and yet to-day France stands low in the scale of mercantile maritime powers, notwithstanding the extravagant subsidies she pays to her shipbuilders and shipowners.

America contests with us the honour of first successfully applying steam to navigation. Fulton's experimental boat in 1798 was four years earlier than Symington's "Clermont" on the Forth and Clyde canal. The "Savannah" in 1819 was the first vessel with auxiliary steam to cross the Atlantic. Both in the construction of sailing ships and in the improvement of the early marine engine, America

led. As I have shewn, at the time we adopted Free Trade and abolished the Navigation Laws, she was rapidly advancing to the first position. And now her merchant shipping for foreign trade has declined almost to the point of extinction.

What, then, is the reason of our supremacy in this trade—the most national, the most imperial, the most desirable, the most envied of all the trades that any nation can possess? The reply, beyond all question or possibility of contradiction, must be our Free Trade policy, coupled as it has been with the Protectionist policy adopted, unfortunately for themselves, by other countries. To the first we owe our own prosperity, to the second our lonely pre-eminence on the sea. With the adoption of Free Trade we at once took the lead in the race; with the adoption of Protection, with every increase of population, in proportion to the severity of their Protective tariffs have other nations fallen behind. I have prepared a table which proves my case in a very striking manner (see Appendix A). I confess the result of this little calculation was startling even to myself, showing, as it does, with something of the inevitability of a law of nature, that as the import tariff of a nation goes up so does its register of shipping go down.

In their new Blue Book the Board of Trade give a list of the principal countries of the world, ranged in the order of demerit according to the severity of their import tariff, headed by Russia with a tariff of

131 per cent., and America with 73 per cent., downwards through Austria, France, Germany, to Norway, and to Holland at the bottom of the list with its tariff of 3 per cent. I have made up a table showing the amount of foreign mercantile steam shipping tonnage per inhabitant of the principal maritime nations, and it is curious and significant to see how the order in which the nations appear is very nearly exactly the inverse order to that of the amount of their tariff. At the head of foreign nations stands Norway with one ton of shipping to every four inhabitants, then Denmark, Greece, and Holland. We descend through Germany, with one ton of shipping to every 34 inhabitants, France with 1 to 71, Austria with 1 to 110, until we reach the United States with 1 to 166, and finally Russia with 1 ton of shipping to every 330 inhabitants.

I do not wish to carry my inference from these figures further than is reasonable. Doubtless it is natural that maritime Norway should take to the sea to a greater extent than inland Austria. But it is clear that, among those nations to whom the commerce of the ocean is conveniently open, those who, in the words of Sir Walter Raleigh I have quoted, "give free customs inwards and outwards for the better maintenance and encouragement of navigation" are the nations which secure the trade.

In America, the greatest sinner in her Protective policy and the greatest sufferer in her shipping, the connection between cause and effect seems to be

universally admitted. Witness after witness before the Commission on the Mercantile Marine lately sitting in the United States testified to this effect. "Other things being equal," said one important witness, "it is not possible to compete with Free Trade in building and operating ships. I think that has been shown." Another very important witness stated that "the present condition of the American merchant marine has been caused by the high Protective tariff upon all other products." These are examples of the universal testimony. Cause and effect being admitted, differences of opinion arise when they come to consider the cure. The condition of trade in a protected country is never satisfactory to the country itself, and America is dissatisfied, and is faced with the two eternal alternatives claiming to be remedies, perpetually presented to Protectionist communities—Free Trade on the one hand and more Protection on the other. The majority of this Commission have reported in favour of a small additional dose of Protection, the minority in favour of a still smaller dose; but whether these reports will ever take form in law remains very uncertain. We, as British shipowners, can afford to regard either decision, both on this question and the larger one of a general reform of their tariff, with equanimity. Should President Roosevelt succeed in reforming their tariff the total volume of trade would doubtless increase, and their shipping, if emancipated, might share it. Should

they add Protection to Protection we tighten our grip of a trade which they cannot altogether prevent expanding slowly from year to year.

It is impossible to resist coming to these two conclusions: (1) that the magnitude and prosperity of our mercantile marine is built upon the foundation of our Free Trade policy, and (2) that our extraordinary supremacy, our monopoly, is the direct and inevitable consequence of the Protective policy of our neighbours. The laws which govern international trade, the great automatic mechanism of exchange, forces us to pay for our imports, and forces the sellers to receive our payments. To the best of their ability they exclude our cotton goods and our iron, and compel our payments to take the form of our shipping services. Professor Ashley, while fully admitting the accuracy of the theory of foreign exchange and the absolute inevitability of the commercial equilibrium, endeavours to show that although the foreigners cannot altogether refuse our goods in payment for their own they can force us to send them our inferior articles, the products of our cheapest and lowest labour. How insignificant do his examples appear when set against not only our rapidly increasing exports of highly complicated and highly finished machinery, but still more when set against this invisible export, which is nevertheless our greatest and our best export—our shipping services.

Mr. Chamberlain places in contrast our historic, healthy exports of what he calls our "staple"

industries, the products of British labour, and those insidious, spurious, invisible exports, which he seems to regard as some trick played upon the simple foreigner by millionaire importers to escape the honest payment for their imports by the honest produce of honest British labour. At Preston he said, "In order to prove that there is one pound of exports for one of imports Mr. Asquith has to go to invisible exports." And he goes on to say, "He," the British working man, "is being more and more paid with invisible exports. What does he get out of them—out of the freights? He gets very little. The wages in the shipping trade, I am sorry to say, are a small and diminishing quantity." What does the reader think of that as an example of economic analysis! Notice the confusion of thought in the statement that the British working man is being "paid," not "paying," with invisible exports—the ingrained incapacity of the Tariff Reformer to distinguish between debit and credit. According to Mr. Chamberlain, it is "what goeth out of a man" that feeds him, and "what entereth in that defileth the man." If an export be good or bad according to the amount of British labour it contains, I would ask, where shall we place this export which is all labour and therefore invisible? We export 70 millions' worth of cotton goods, but out of the 70 million the manufacturer has to pay 40 millions to the foreigner for the raw material; but our shipping service, our greatest export, is all British labour. It consists of

ships built and engined in British yards by British hands, by British material, officered, engineered and generally manned by British subjects, provisioned and repaired in British ports, insured in British offices, and coaled with British coal. Every penny of its gross earnings, except only the small sum inevitably paid for dues and labour in foreign ports, goes into British pockets; in good times a little remains in the pockets of the shipowners, in bad times it is all paid out, and is spent in feeding, clothing, and housing innumerable thousands of British citizens. This is the industry forming our great invisible export, out of which the British working men "get very little." The slightest examination shews that not only is the shipping industry our noblest industry, and our shipping services our greatest export, though "invisible" in the Board of Trade Returns, but of all our exports it is that which has provided the greatest amount of well-paid employment at home.

And this great shipping industry of ours is the child of our Free Trade policy, assisted into its present position of lonely pre-eminence by the protectionist follies of protectionist neighbours.

4. Finally, I wish to add a few words of criticism. An English Free Trader cannot but be, in some degree, an optimist, but he need not be a blind optimist. I have already admitted there is a residuum of reason in Mr. Chamberlain's alarm at the growth of the entrances and clearances of foreign

tonnage in our ports. But it is no "rot at the foundations" that is the matter with British shipping, nor any rot in any part of the superstructure. British shipping has been "wounded in the house of her friends." Her worst enemy has been in the past the British Parliament, and is at present the British Government—I say the Government deliberately, for Parliament, even this Parliament, has made several efforts to repair its own acts of injustice to our shipping, but without the co-operation or against the opposition of the Government even a majority of the House of Commons is powerless on a question of this character. The case against the Government is so well put by one of the very highest authorities in England on shipping and shipping law, Mr. Norman Hill, that I cannot do better than quote his words. He says: "How have we promoted our oversea trade, and what encouragement have we given to our shipowners?"

"We have left them to work under obsolete rules and regulations made fifty years ago."

We have insisted, and properly insisted, on such a "standard of safety as has driven all but the best found ships from under our flag. But we have not insisted on the observance of this standard on foreign ships, even in the ports of the United Kingdom, and vessels sold under our flag, because they could not be sailed to a profit in compliance with our standard, have been allowed freely to trade in and out of our ports, in competition with our own ships.

“ We have made our shipowners liable to foreigners for losses arising in their business to an extent far in excess of that to which foreign shipowners are liable.

“ We have driven away a portion of our transit trade, and we have hampered the working of the remainder by the Merchandise Marks Act.

“ We have until lately extorted, at the expense of our shipowners, profits out of the lighthouses; we still leave them to bear the whole cost of lighting the coast.

“ We have left the railways to be worked in the interests of the shareholders, whose object is naturally to secure the largest profits attainable from the carriage of our exports, without actually destroying any particular trade. We have not developed our canals. We have done, as a nation, nothing to develop our ports.”

In his effort strictly to avoid showing a party bias, Mr. Norman Hill says “Parliament,” not Government; but the succeeding passage shows that the House of Commons, whatever may be its temporary party complexion, is willing to repair its own errors, and that its efforts have been thwarted by the Government.

Mr. Hill continues: “A Select Committee reported, in 1897, in favour of exempting the transit trade from the operation of the Merchandise Marks Act, but nothing has been done.

“A Select Committee reported, in 1902, in favour

of the Board of Trade regulations being enforced against foreign ships equally with British ships, but nothing has been done.

“No less than six select or departmental committees have between 1822 and 1902 reported in favour of the abolition of the light dues, but nothing has been done.

“Has not Parliament some arrears to dispose of before it takes up the business of endeavouring to develop and remodel our international trade with the assistance of tariffs?”

We are Free Traders, and we are prepared to meet any foreigners and all foreigners in free and open competition in our own ports. We Free Traders have a special right to require that our own Government should not undermine our maritime supremacy by giving Protection to foreigners as against ourselves. This is the particular kind of Protection we most of all abhor. That British shipowners should cease to be made to suffer from special disabilities in British ports imposed by British law is our first demand; and our second is that Government and Parliament should adopt an intelligent policy in the general legislation affecting shipping and our foreign trade; that it should cease to tax our ports by the imposition of light dues, abandoned by other civilised countries; that, on the contrary, it should do all properly in its province and in its power to promote the improvement of our ports and the inland waterways, upon which the

prosperity not only of our shipping but the whole of our foreign trade so largely depends.

I have attempted in this paper to shew, in the most impressive manner possible, that is by the use of plain figures, more eloquent than any Protectionist rhetoric, the stately figure of the British Mercantile Fleet, the visible incarnation of the Britannia that to-day, and more than ever to-day, is the ruler of the waves. And in contrast we have contemplated the pigmy, and in some cases decaying, squadrons of the Protectionist nations, once our rivals and superiors.

We have seen that this empire was not inherited by us from past ages, but that it is in fact the last great conquest of the British flag, and that we have had to win it ourselves, upon the open ocean, in free competition with all other maritime nations. We have seen that we had no conspicuous superiority for the struggle to start with, either in our geographical situation, or our national characteristics. We have seen that one factor in its two aspects has dominated and decided the issue. Our Free Trade policy has given us our shipping prosperity, and the Protectionist policy of our rivals—rivals no longer—has converted the prosperity into a predominance amounting in many respects to monopoly. We have seen that the only wounds that have seriously hurt us have been self-inflicted, and that with fair treatment (and we ask no more) from our rulers, we may reasonably hope for British shipping a future that will equal and even surpass its past.

APPENDIA.

APPENDIX A.

AVERAGE AD VALOREM EQUIVALENT OF THE IMPORT DUTIES LEVIED BY THE UNDER- MENTIONED COUNTRIES.		AMOUNT OF STEAM SHIPPING TONNAGE PER INHABITANT OF THE UNDERMENTIONED COUN- TRIES.	
Russia...	... ..	131 per cent.	Russia 1 ton to every 330 inhabitants.
United States	... ..	73 "	U.S. " 166 "
Austria-Hungary	... ..	35 "	Austria " 110 "
France	... ..	34 "	Italy " 72 "
Italy ...	... ..	27 "	France " 71 "
Germany	... ..	25 "	Germany " 34 "
Sweden	... ..	23 "	Sweden... .. " 24 "
Greece	... ..	19 "	Holland " 15 "
Denmark	... ..	18 "	Greece " 12 "
Norway	... ..	12 "	Denmark " 9 "
Holland	... ..	3 "	Norway " 4 "
United Kingdom—No Protectionist Tariff.	... ..		United Kingdom 4.6 "

APPENDIX B.

SHIPPING AND THE NEW FISCAL POLICY

(From "*The Free Trader*," Oct. 2 and 9, 1902).

The shipping trade, almost alone among our great industries, is not dependent upon local advantages. Providence has decreed that South Wales and Pennsylvania shall be great centres of coal production; climate has greatly assisted to locate the spinning and manufacture of cotton in Lancashire; proximity to fuel and convenience in obtaining raw material fix the centres of most manufacturing industries. But our unique and supreme position, as the carriers of the world, we have won for ourselves in unfavoured competition with all other nations upon the open ocean. Even if it be admitted that in the building of ships we have local advantages, our shipyards are open to men of all nations on equal terms with Englishmen, and shipbuilders are seldom themselves shipowners. Without any special advantages, therefore, we have captured and hold an unquestioned and unchallenged supremacy in this great industry. To us, as an island people, with the largest markets in the world, the greatest volume of imports and exports, and dependent to a greater extent than any other on imported food, it is obvious that the possession of a great and efficient mercantile marine must be of vital importance; but it is not also generally realised, even in shipping circles, that the business of ship-owning and ship management is actually, in itself, the most important and valuable single branch of our commercial activities. Doubtless, coal-mining employs more men, and our railways have a capital more than five times as great as that invested in ships; but the annual gross earnings of our mercantile marine are about equal to the total gross earnings of all our railways put together, which amounted to £106,000,000

in 1902, and considerably more than the value of the total product of our largest manufacture, that of cotton, which, it is estimated, reaches a total of £90,000,000.

Let us consider (*a*) any possible consequences of any possible legislation directly designed to protect the British shipowner, and (*b*) the consequences to shipowners of a general system of Colonial Preference and of Protection.

(*a*) If preferential and protective duties and bounties are to be distributed broadcast, the inquiry has suggested itself to some members of the trade, why should not shipping participate directly and get its share of the spoil? To these inquirers it may be pointed out that the State can only interpose by fiscal legislation designed directly to benefit shipping in two ways—by direct subsidies, or by restrictions to be imposed on foreigners. It is unnecessary to consider the question of direct subsidies, except as payments for definite services rendered to the State, for they have quite recently been declared by the Subsidy Select Committee to be “costly and inexpedient,” and the desire for State aid of this character has been emphatically and almost unanimously repudiated by the trade.

The only other protective suggestion is that of restricting the “coasting” trade, that is all inter-Empire trade, such as a voyage from Montreal to Melbourne, or Vancouver to Cape Town, to vessels sailing under the British flag. This is a proposal that has the modified approval of the Subsidies Committee and of many shipping authorities. In taking such a step we should only be following the example of France, Russia, the United States, and other countries. At first sight it appeals strongly to both the self interest and patriotic sentiment of the British shipowner. The argument that, to my mind, is decisive against it is one of expediency and prudence only. Is it worth while to risk so much to gain so little? I think it is not,

for the total volume of our trade with British possessions carried by foreign ships is not more than $1\frac{1}{4}$ per cent. of our total foreign trade, and but one-tenth of the trade between the United Kingdom and her colonies and dependencies. For the sake of excluding less than one million tons of shipping, entering and clearing from our ports with cargoes from and to our Colonies, we should risk retaliation, which might affect a trade of 90 millions of tons.

(b) But of far greater importance to British shipping than any direct advantage it might secure for itself, at the cost of the general community, by direct subsidies or privileges, would be the loss caused by the disturbance of the present system of the exchange of commodities between different parts of the world, a system of which British shipping has been, in part, the creator, and is in part the product; and the further loss caused by the inevitable contraction of the total volume of exchangeable goods which any interference with the free flow of commerce would cause. The British Mercantile Marine and the trade which it serves is a mechanism of infinite complexity. It has been built up by the co-operation of unnumbered forces and men, many of them men of the greatest commercial capacity and even genius. Every successful shipowner knows that by far the most effective element in his success has been the possession of vessels exactly adapted to the particular branch of trade in which it is engaged. He knows that one of his ships will make money for him, even in bad times, while another will lose money. He knows that he might as profitably take his fleet into mid-ocean and scuttle it uninsured as to put it into a trade for which it is not adapted. A sudden change in our national fiscal policy, therefore, which would alter the great routes of trade would practically annihilate much of his property. A steamer, comparatively small, engaged in the timber trade of the Baltic, or one of

moderate capacity and light draft, built specially for the grain trade of the Black Sea and Danube, could not to be diverted to Canada and live commercially.

Again, one of the principal causes of the cheapness of our imports of food and raw materials is the great advantage this country possesses in being always able to freight the ships which bring to us our supplies with cargoes of coal for their outward voyages. Those who study the Board of Trade returns, and see coal as an item among items, and far from being the largest in point of value, do not realise that in point of weight and bulk it is not only our largest, but is practically our only, export. Our exported coal exceeds in weight the weight of all our imports taken together, and in the international exchange, which is roughly maintained, of weight for weight, as is the exchange more accurately and scientifically maintained of value for value, it is coal that pays for all. Our other exports are of great value but small bulk, and are taken almost entirely by the great liners. Our tramp steamers go out loaded with coal, and return to us loaded with timber, corn, ores, sugar, and all the other things we need.

Now, it is to be observed that our Colonies do not take and do not need our coal. Australia has her own coal, Canada is, and ever will be, supplied from Nova Scotia ; and Pennsylvania, the Cape, and the Transvaal Colony are becoming each year more independent of our coal. More than forty millions of the forty-three millions of tons of coal we shipped last year was taken by foreign countries. If the trade of this country, therefore, is to be diverted, to any extent, from its present numerous and varied channels into a few great inter-Empire routes, to that extent the tramp steamers will be displaced, and our export coal trade will suffer a check, compared with which the imposition of the coal duty two years ago was an insignificant inconvenience.

But, to my mind, the greatest danger of embarking on a new policy of restrictions and preferences is that of retaliation by foreign countries. Whenever this possibility is pointed out the statement of it is invariably met with an appeal to prejudices and passions only too easily excited. What can they do more than they do now? Let them do their worst! Shall we take it lying down? These are the forms of the usual retort, and the careless "man in the street" is too apt to base his opinion on the phrase that appears to him to indicate the bolder and more patriotic policy. But the shipowner and the shipping community may be asked to remember what are the odds they give to the adversary in a contest of commercial retaliation and reprisals. They place at risk the prosperity of the most splendid trade ever built up by human enterprise, to gain—I cannot see what there is to gain.

Also, it is quite the contrary of the truth to say that foreign nations have done their worst against English trade. They have not begun to take the first step in the path of retaliation. True, they have imposed high protective duties on imports. Free Traders think these duties are injurious both to the nation imposing them and to us. Foreigners think they are profitable to themselves, but they admit they are incidentally injurious to us. Without exception, they would assert, and assert truly, that the tariffs are not designed with the object of injuring us. They do not discriminate against us, and they give us, practically without exception, "the most-favoured-nation" treatment, the only exception being a few cases of goods we do not produce, such as works of art from Italy, which have some privilege in entering the United States.

Retaliation is quite a different thing. It means a measure directly framed to injure another. . . . What form will the retaliation take? Undoubtedly

the most obvious, the most direct, and the most effective blow that could be given to this country would be to strike at British shipping. It would not disorganise their protective tariffs, and, so far as the policy would injure themselves, it would be fair to all their industries alike.

That retaliation would take this form is not a mere conjecture. One nation at least, the United States, has already forged and tempered her weapon.

Revised Statute 2,502, passed by Congress on August 27th, 1894 (Sec. 14), runs as follows:

“A discriminating duty of 10 per cent. *ad valorem*, in addition to the duties imposed by law, shall be levied, collected, and paid on all goods, wares, or merchandise which shall be imported in vessels not of the United States; but this discriminating duty shall not apply to goods, wares, and merchandise which shall be imported in vessels not of the United States, entitled by treaty or any Act of Congress to be entered in the ports of the United States on payment of the same duties as shall then be paid on goods, wares, and merchandise imported in vessels of the United States.”

From this it is clear that in the absence of such treaty right, goods imported into America by British ships would have to pay an extra duty of 10 per cent. *ad valorem*. I would ask what would be the prospect of obtaining such a treaty were we to refuse to give what the United States would consider “most-favoured-nation” treatment?

Should this country adopt a tariff embodying a system of preferences and exclusions, it seems to me that we shall not then be at the end, but at the beginning of a “big fight.” And, in this conflict, it is the shipping trade that will be put, like Uriah of old, in the forefront of the battle.

